

BRUNO & DURMER

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RECORDATION NO. 1 5187

MAR 23 1987 2-05 PM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 1 5187

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INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission

12th & Constitution Ave., NW

Washington, D.C. 20423

Attn: Ms. Mildred Lee  
Room 2803

Recordation Dept.

Re: Rail Systems, Inc. and First N.H. Merchants National Bank

Dear Ms. *Lee*

Pursuant to Section 20(C) of the Interstate Commerce Act  
(40 U.S.C. Subsec. 20(C)), enclosed please find the following  
documents:

1. Original and one notarized executed copy of a Loan and Security Agreement
2. Original and one notarized executed copy of an Assignment of Rents and Leases.
3. Financing Statement with attachment

Rail Systems, Inc., (Borrower/Debtor)

364 Pine Hill Rd.,

Hollis, N.H. 03049 telephone # 882-9145 (Michael Smith,  
Cynthia O'Connor)

First N.H. Merchants National Bank (Lender/Secured Party)

business address: One Hampshire Plaza, Manchester, N.H.

Branch office relating to this transaction, 407 Amherst St.,

Nashua, N.H. telephone #886-9120 (Paul Ferguson or David Major)

Please record and index these documents and return the originals  
to my office. Enclosed please find our check in the sum of \$30.00  
for the recording fees.

Thanking you in advance, I remain,

Very truly yours,

Kris E. Durmer

KED:ej

encs.

cc: David Major, Merchants National Bank

COLLATERAL ASSIGNMENT OF LEASE AND RENTS

RECORDATION NO. 1 5187A  
MAR 23 1987 2:05 PM  
Filed & Recorded  
INTERSTATE COMMERCE COMMISSION

FOR CONSIDERATION PAID, The Rail Systems, Inc., a New Hampshire corporation with principal place of business at 364 Pine Hill, Hollis, New Hampshire 03049 ("the Assignor") hereby grants, assigns, transfers, and sets over to The First NH Merchants National Bank of Manchester, a national banking association with principal place of business at 1 Hampshire Plaza, Manchester, New Hampshire, 03105 ("The Assignee") all of the Assignor's right, title, and interest in and to any and all leases, contracts of sale, and any other agreements relative to the ownership or use of three (3) certain diesel locomotives bearing designation CF-7 with road #'s 2417, 2425, 2426 (hereinafter "Equipment"), including but not limited to, a certain Locomotive Storage and Use Agreement dated December 5, 1984 attached hereto and incorporated hereby between the within Assignor and the New York, Susquehanna and Western Railway Corporation, a New Jersey corporation (hereinafter "NYS & W") and all of Assignor's right, title, and interest in and to any and all other agreements and contracts with regard to construction, management, finance, maintenance, leasing, or operation of the Equipment whether already existing or to be executed in the future.

And the Assignor does hereby further grant, assign, transfer, and set over to the Assignee all rents, royalties, issues, and profits provided or to be derived under the terms of any of said leases, contracts, and agreements, and all security for the performance of said leases, contracts, and agreements, together with all monies to be paid under the terms thereof, hereby granting unto the Assignee, upon and after default by the Assignor under a Promissory Note in the principal amount of \$100,000.00 of near or even date herewith made by the Assignor to the order of the Assignee, under a Loan and Security Agreement of near or even date herewith made between the Assignee as Lender and Assignor as Borrower, or under any other agreement by and between the Assignor and Assignee: full power, but not obligating Assignee, to enforce any of the conditions, covenants or agreements contained in said leases, contracts, and agreements, to collect any and all of the rents, royalties, issues, and profits thereunder and to give valid receipts therefor, and hereby further granting unto the Assignee, upon such default, full power to do anything that the Assignor could have done had this Assignment not been made; the lessees, or other parties under said leases, contracts and agreements being by this instrument expressly authorized to pay to the Assignee any and all of the rents, royalties, issues, and profits now due or to become due under the terms of said leases, contracts, and agreements.

Assignment of Rents and Leases  
Rail Systems, Inc. to First N.H. Merchants National Bank  
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The Assignor does hereby covenant to and with the Assignee that the Assignor has not in any manner heretofore transferred its right, title, or interest in and to any such leases, contracts, and agreements, with respect to the Equipment, and that the Assignee is the owner of all rights with respect thereto and has the full right to collect and is entitled to any rents, royalties, issues, and profits to be derived from the ownership, use, construction, management, maintenance, leasing, or operation of the Equipment.

This Assignment is given as collateral security to secure the obligations due or owing to Assignee from Assignor under the aforesaid Note, Loan and Security Agreement and all other agreements contemplated thereunder, such obligations including, but not being limited to, the payment of principal and interest under said Note. Assignee may take or release any other security for payment of the said principal, interest, rents, or other indebtedness, may release any party primarily or secondarily liable thereon, and may apply any of the security held by it to the satisfaction of the said principal, interest, rent, or other indebtedness, without prejudice to any rights it may have under this Assignment.

Nothing contained in this Assignment nor any act done or admitted by Assignee pursuant to the terms of this Assignment shall be deemed a waiver by Assignee of any rights or remedies which it may have under any other agreements under which Assignor may be obligated to it, and this Assignment is made and accepted without prejudice to any rights or remedies possessed by Assignee under the terms of any such documents. The right of Assignee to collect the said principal, interest, rent, and other indebtedness, or to enforce any security it may have may be exercised by the Assignee prior to, simultaneously with, or subsequent to any action taken under this Assignment.

Assignor agrees not to enter into any future or further leases, contacts or any other agreements with respect to the Equipment without the prior written consent of the Assignee, which consent will not be unreasonably withheld.

Assignment of Lease and Rents  
Rail Systems, Inc. to First NH Merchants National Bank  
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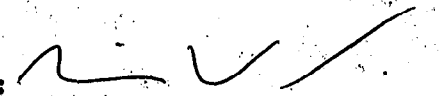
This Assignment shall inure to the benefit of Assignee, its successors and assigns, and any subsequent holder of the Note, the Loan and Security Agreement, or any other mortgage or security securing Assignor's obligations under the same, and shall be binding upon Assignor and its successors and assigns.

EXECUTED THIS 20<sup>th</sup> day of March, 1987.

The Rail Systems, Inc.



Witness

By:   
Duly Authorized Officer  
Title:

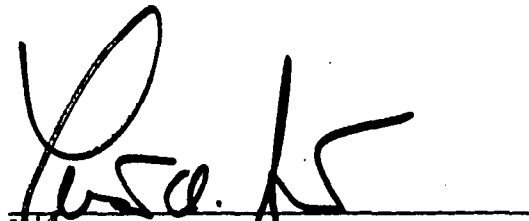
The State of New Hampshire  
County of Hillsborough, ss.

Personally appeared, before me, the undersigned officer,  
Michael Smith duly authorized signatory for The  
Systems, Inc. and made oath that he executed the within  
instrument for the purpose therein contained.

Dated: 3/20/87


  
Notary Public/Justice of  
the Peace KRIS E. DURNER, Notary Public  
My Commission Expires February 8, 1988

The New York, Susquehanna and Western Railway Corporation, a  
New Jersey corporation, and the Lessee of the Equipment under the  
aforementioned Locomotive Storage and Use Agreement of December  
5, 1984, hereby consents to and agrees to comply with the terms  
and conditions of the within Assignment of Lease and Rents,  
provided, however, the NYS & W does not hereby assume the  
liability of the Assignor for its aforementioned debt obligation  
to the Assignee.



Lester A. Sittler  
General Counsel

The New York, Susquehanna  
& Western Railway Corporation

By:   
Duly Authorized Officer  
Title:  
C. David Soule  
Executive Vice President

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The State of New York  
County of Otsego, ss.

Personally appeared before me, the undersigned officer,  
C. David Soule, Executive Vice President, for NY S & W, and made  
oath that he executed the within instrument for the purposes  
therein contained.

Dated: March 5, 1987

*Kathy S. Perry*  
Notary Public / Justice of  
the Peace  
KATHY S. PERRY  
Notary Public, State of New York  
No. 4766817  
Qualified in Otsego County  
Commission Expires 1-30-1988

A TRUE COPY: ATTEST



KRIS E. DURMER, Notary Public  
My Commission Expires February 8, 1989